



CPAN Statement
August 8, 2007

As a historic coalition including groups such as the AARP, health care organizations, the disability community, patients' rights advocates, organized labor, doctors and hospitals, CPAN is incredibly disappointed that eliminating benefits would be considered the first solution to the persistent problem of high auto insurance rates instead of targeting the excessive profits auto insurance companies have been amassing during recent years.

Instead of reducing benefits for consumers and reimbursement for providers, the legislature should be looking at the rate-setting process as the solution to the problem.

For *real* rate reform, the conclusions from the Angoff report submitted to the House Insurance Committee on June 7 should be acted upon. These recommendations include:

- Allow the commissioner to find and disapprove of excessive rates.
- Stop allowing insurers to surcharge customers based on rating factors (credit history, address, lack of prior coverage, etc.) that excessively drive up costs for low-income people.
- Authorize the commissioner to order refunds when insurers illegally overcharge consumers.
- Allow consumers to recoup the costs of illegal overcharges from insurers.
- Make the MCCA's records available to the public.
- Allow the commissioner to disapprove excessive MCCA assessments.

Because of inadequate statutory standards, the insurance commissioner is left with limited authority to determine if rates are excessive and order refunds to consumers if they have been charged an excessive rate. Our current system has allowed insurance companies to reap profits totaling in the hundreds-of-millions of dollars.

House Bill 4792 is going to hurt everyone — but the insurance companies — in the following ways:

Rate reductions are not guaranteed! There is no provision in the bill imposing fee schedules that guarantees rate reduction. Even if they are reduced, there is no language to protect consumers against future rate increases. In addition, there is nothing in the legislation to identify how savings will be passed along to the consumer. Even in committee testimony, *insurers have stated they could not and would not guarantee rate reduction.*

Michigan's trauma system will be placed in jeopardy! Artificially reducing reimbursement will lead to inadequate margins for providers, which means less capital investment for equipment upgrades and technologies, fewer resources for paying staff and fewer physicians willing to serve on call — knowing that in the end, the unpaid costs will be added to the millions of dollars that already exist for unpaid medical services. We are not confident this readiness can be maintained by adopting the workers comp fee schedule.

Worker's compensation is not an adequate system to structure fee schedules for no-fault claims! Worker's comp does not typically deal with catastrophic injuries, which can happen from a serious auto accident. The severity of the injury makes this population more difficult to treat, resulting in less capture of the actual cost under the worker's comp fee schedule.

House Bill 4792 does one thing and one thing only — benefit big insurance.